



NHS Ayrshire and Arran

Report to the Audit Committee, the Board and the Auditor General for Scotland,
on the 2020/21 audit

Issued on 3 June 2021 for the meetings on 11 and 22 June 2021 (updated final 21 July 2021)

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the annual report and accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee (“the Committee”) of NHS Ayrshire and Arran (“the Board”) for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report presented to the Committee in January 2021.

This report summarises our findings and conclusions in relation to:

- The audit of the **annual report and accounts**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Accountable Officers’ duty to secure best value.



Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on the completion of our audit work we have issued an unmodified audit opinion.

The performance report and accountability report comply with the statutory guidance and proper practice and are consistent with the annual report and accounts and our knowledge of the Board.

Based on our audit of the remuneration and staff report, we conclude that it has been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 10. The Board met its financial target for 2020/21, achieving a small surplus of £0.6m.

There is one uncorrected misstatements in excess of our reporting threshold of £250k, as disclosed in the Appendix on page 49.

Status of the annual report and accounts audit

Our audit is complete.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. Our audit work was risk based and proportionate, covering each of the four dimensions. As discussed in our audit plan, the risk profile of public bodies for the 2020/21 audits is significant affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Board has responded to these risks.

Our overall conclusions on each dimension are summarised below, with full details provided in the main body of the report:

Financial Management

The Board continues to have effective financial planning and management arrangements in place with a sufficiently qualified and experienced finance team. While COVID-19 has increased the workload of finance staff, this has been well managed.

The Board has achieved a slight surplus of £0.6m in the year, which is in contrast to the brokerage required in previous years, and is largely due to the impact of COVID-19, resulting in reduced activity in outpatient and inpatient elective activity over the past year. Full non-recurring funding has been provided by the Scottish Government for all COVID-19 related costs, including unachieved efficiency savings. It is positive to note that three new internal audit reviews were added to the 2020/21 internal audit plan in response to the additional fraud risks presented by COVID-19, with all concluding reasonable assurance.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial sustainability

Given the unachieved savings of £4.8m carried forward from 2020/21, the Board's history of not achieving savings targets, and the budget deficit position for 2021/22, the Board continues to have a significant risk of not achieving short term financial balance.

The requirements for a three-year financial plan have been put on hold due to the ongoing pressures of dealing with COVID-19 with no set date for when this requirement will resume. The Board is therefore unable to demonstrate that it is financially sustainable in the medium and longer term. Whilst we understand that COVID-19 has had an impact on the ability to look beyond 2021/22, it is critical that the Board consider how services will be delivered in the future in a financially sustainable way.

Whilst the Caring for Ayrshire programme has been paused in the past year due to prioritising the management of COVID-19, management have identified lessons to be learned from the new ways of working that have been progressed during the pandemic. More work is, however, still required to prioritise the development of detailed transformation programmes with clear action plans, milestones and the associated capacity and resources to deliver transformational change.

It is positive to see that efforts have been taken during the year to respond to the pressures experienced by the workforce as a result of the pandemic, prioritising the wellbeing of staff. COVID-19 has had a significant financial impact on staff costs, which has included significant amounts of overtime and untaken leave. It is important that the Interim Workforce Plan is developed into a longer-term plan to ensure the long-term viability of the workforce and that this is closely aligned to the work being carried out as part of transformation.

Governance and transparency

The Board continues to have strong and effective leadership with a positive and collaborative culture. The Chief Executive is due to leave the Board in June 2021 and the Deputy Chief Executive will take on the role of Interim Chief Executive until such time as a permanent replacement is recruited. We will monitor progress with the recruitment process for the Chief Executive post during our 2021/22 audit.

The Board continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned.

The Board has continued to build on the positive working relationship with the IJBs in the past year. Changes in leadership during the year also included the appointment of two new Directors of the East HSCP and North HSCP, which went smoothly. It should look to resume work with the IJBs and other key strategic partners on transforming the future of health and social care provision through the Caring for Ayrshire programme and building on the lessons learned from the pandemic, including digital transformation.

Value for money

The Board continues to have well established performance management arrangements, although the Annual Operating Plan ("AOP") measures for 2020/21 were largely put on hold, including reporting on national performance standards, to allow full resources to be dedicated to the management of COVID-19.

Whilst the Board's performance is improving in some areas, for example Children and Adolescent Mental Health Services ("CAMHS"), and continues to perform well in other priority areas such as cancer treatment within 31 days, prioritisation of COVID-19 has impacted on other waiting times, including those relating to cancer treatment within 62 days, and outpatient and inpatient waiting times. As part of re-mobilisation and recovery, management should continue to focus on improving performance across the Board in relation to those measures that have consistently under-performed compared to national targets.

The Board has a clear focus on improving equality outcomes and recognises the impact that COVID-19 is expected to have and is actively working with partners towards addressing this.

Introduction (continued)

The key messages in this report (continued)

Best value

The Board has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. However, as noted within the report, significant work is required to achieve medium to longer term financial sustainability. We have considered the Board's arrangements for best value on page 37.

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Board as an Appendix on pages 41 to 47 of this report.

In particular, we have provided a high level assessment of where the Board is in its response to the Climate Change Agenda, discussed on pages 38 and 39.

Next steps

An agreed Action Plan, including a follow-up of previous year recommendations, is included in the Appendix on pages 51 to 54 of this report, including a follow-up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2021/22 audit.

Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our "sector developments" on pages 41 to 47 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the Board. We have also shared invites to relevant Deloitte-led webinars with the Board.

Pat Kenny
Audit Director








Annual report and accounts audit



Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		Documentation in relation to key areas of judgement in relation to property valuations and provisions was provided early in the audit process.
Adherence to deliverables timetable		The audit of the annual accounts progressed largely in line with the original timescale. The receipt of the Board annual report and accounts and notes to the accounts were provided within the agreed timescale. The first draft of the Accounts was received on 4 May and the draft Annual Report was received on 13 May. The agreed audit timetable required the fully consolidated group accounts to be provided by 24 May, however, these were not provided until 2 June 2021. Whilst we understand that this delay has been due to finalising the IJBs results, improvements are required in future years to ensure that a clear timetable is agreed between the NHS and IJB's to ensure that the agreed audit timetable is met.
Access to finance team and other key personnel		Deloitte and NHS Ayrshire and Arran have worked together to facilitate remote communication during the audit which has been successful.
Quality and accuracy of management accounting papers		On the whole documentation provided has been a good standard.
Quality of draft annual report and accounts		A full draft of the annual report and accounts was received for audit on the 13 May 2021. The annual report and accounts were compliant with the reporting requirements, and we conclude that very few amendments were required. These are discussed further on page 18.
Response to control deficiencies identified		No control deficiencies were identified.
Volume and magnitude of identified errors		We have not identified any significant financial adjustments to date.



Lagging



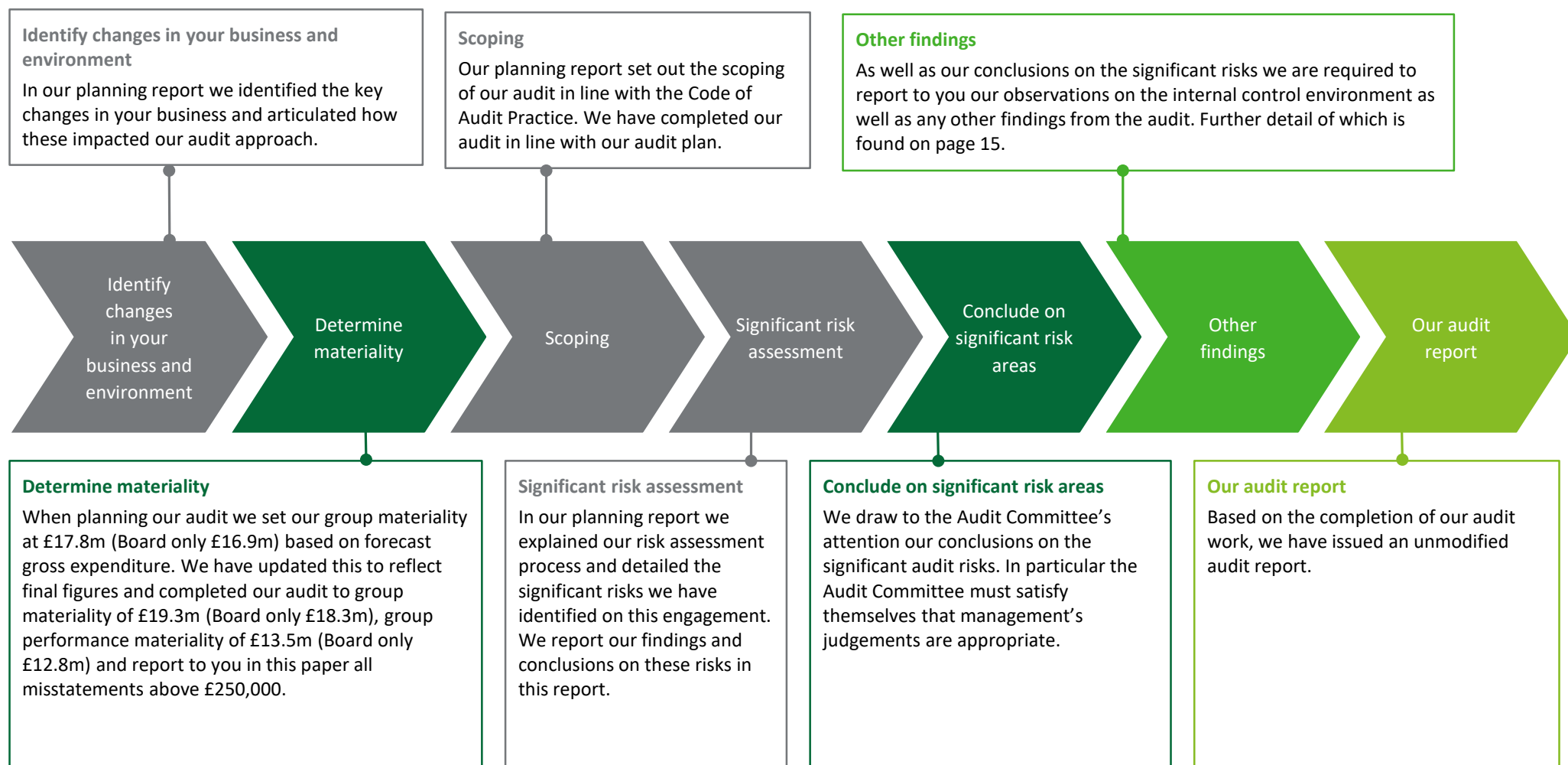
Developing









Mature

Our audit explained

We tailor our audit to your business and your strategy



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within the expenditure resource limits			D+I	Satisfactory		Satisfactory	11
Management override of controls			D+I	Satisfactory		Satisfactory	12

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Operating within the expenditure resource limits

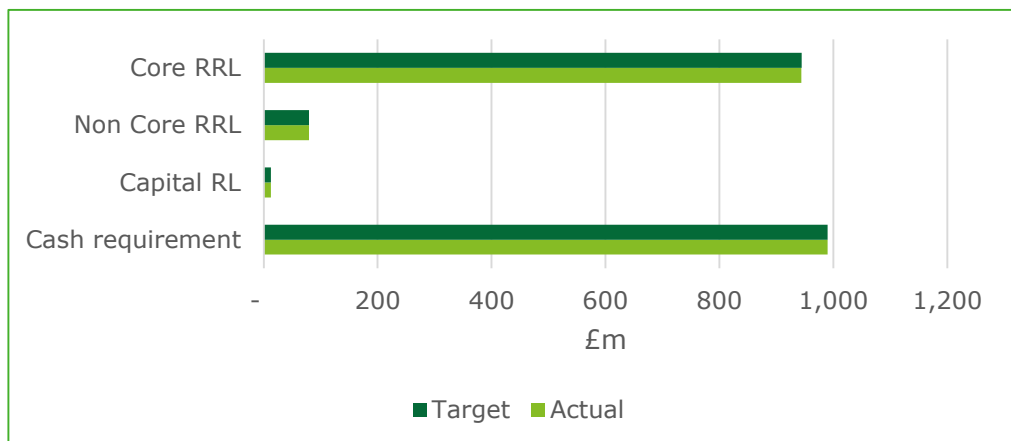


Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, we do not consider this to be a significant risk for NHS Ayrshire and Arran as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk is that the Board could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government (which are illustrated in the graph below). Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance;
- Obtaining independent confirmation of the resource limits allocated to NHS Ayrshire & Arran by the Scottish Government;
- Performing focused testing of accruals and prepayments made at the year end; and
- Performing focused cut-off testing of invoices received and paid around the year end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

We confirm that the Board has performed within the limits set by Scottish Government Health and Social Care Directorate (SGHSCD), achieving a small surplus of £0.6m, and therefore is in compliance with the financial targets in the year.

Significant risks (continued)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent annual report and accounts by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

Our testing in this area is satisfactory and no instances of management override have been identified. We have made one control recommendation in relation to journal entries which is detailed on page 15.

Significant risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Report and Accounts includes those which we have selected to be significant audit risks around expenditure recognition (see page 11). This is inherently the area in which management has the potential to use their judgement to influence the Annual Report and Accounts. As part of our work on this risk, we reviewed and challenge management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
<p>Clinical Negligence and Other Risks Indemnity Scheme (‘CNORIS’) provision</p>	<p>NHS bodies in Scotland are responsible for meeting negligence costs up to a threshold of £25,000 per claim. Costs above this threshold are reimbursed from the CNORIS scheme by the Scottish Government. The Board provide 100% for Category three claims and 50% for all Category two claims notified by the NHS Central Legal Office (CLO), according to the value of the claim. As at 31 March 2021, there were 117 claims specific to NHS Ayrshire and Arran included in the provision.</p> <p>The Board also provides for its liability from participating in the scheme. This provision recognises NHS Ayrshire and Arran’s respective share of the total liability of NHS Scotland as advised by the Scottish Government, based on information from NHS Boards and the Central Legal Office.</p>	<p>The provision is valued by the Central Legal Office (CLO) based on the information on claims and historical experience. The value of claims is notified to the Board by the CLO. We have obtained independent confirmation directly from the CLO of all outstanding claims for NHS Ayrshire and Arran at 31 March 2021 and reconciled this to the amount recognise and challenged managements provision policy and concluded that it is reasonable. We have also conducted a subsequent events review of the provision to ensure that it is complete as at 31 March 2021.</p> <p>The provision for NHS Ayrshire and Arran’s share of the national liability is calculated by the Scottish Government based on information from the CLO in relation to all Boards. We have received direct confirmation from the Scottish Government of the balance which has been reconciled to the amount recognised.</p> <p>We have obtained assurance from Audit Scotland on the methodology used in the preparation of these figures and the relevance and reliability of the information provided by the CLO.</p>
<p>Private Finance initiatives (‘PFI’)</p>	<p>The Board currently has three PFI projects: East Ayrshire Community Hospital, Ayrshire Maternity Unit and Woodland View. Each PFI liability is valued based on the value of the remaining lease payments under the relevant accounting standards. The minimum lease rental is split between interest and principal using the actuarial method.</p>	<p>We obtained and assessed the initial PFI agreements in place and reconciled to the payment schedules for each model. We have conducted a retrospective review of the prior year liability to assess accuracy, and have challenged any changes made to the model. We have assessed the value of the underlying buildings through our Valuations work.</p> <p>We are satisfied that the PFI liability recognised in the accounts is in line with the models and there is no indication of management bias.</p>

Significant risks (continued)


Management override of controls (continued)

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
<p>Property valuations</p>	<p>The Board is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation. The valuations are, by nature, significant estimates based on specialist and management assumptions and which can be subject to material changes in value.</p> <p>The Board has had an independent valuation carried out at 31 March 2021 by the District Valuer Services to include valuation of 100% of all of the Board's land and property.</p> <p>The valuation method has not changed from the prior year and is in line with International Financial Reporting Standards, with a full revaluation being carried out. The Board's revaluation has resulted in a downward valuation to property values of £6.4m.</p>	<p>We did not identify this as a significant risk in our Audit Plan as our property specialists, Deloitte Real Estate, reviewed the methodology applied by the Board's valuer in previous years and concluded it was robust. We have confirmed that the valuer and the methodology applied has not changed in the year.</p> <p>We have engaged our property specialist and assessed the competency, capability and objectivity of the valuer.</p> <p>Our property specialists have performed an analytical review of all revaluations and identified those which were not in line with expectation. Explanations and supporting evidence was provided for each outlier.</p> <p>We have assessed the presentation of revaluation movements and impairments, taking into account revaluation reserves for individual assets, and the disclosures included in the annual report and accounts.</p> <p>We have reviewed the valuers report, specifically in relation to the impact of COVID-19 and concluded:</p> <ul style="list-style-type: none"> the valuer has confirmed that the valuation is not reported as being subject to 'material valuation uncertainty'. This is in line with our expectation and in line with the RICS guidance at 31 March 2021. Due to the pandemic, the valuer has confirmed that the properties have been valued based on limited external inspection only and on a desktop basis. Our property specialists have considered this and concluded that this is not unreasonable given the circumstances and does not impact on the overall reliability of the valuations performed.

Other significant findings

Internal control

During the course of our audit we have identified one low priority internal control finding, which we have included below for information.

Area	Observation	Priority
Journal Entries	Our journal testing was satisfactory and we are satisfied that the controls in place to perform a retrospective review of all manual journals has been designed and implemented throughout the year. However, from our testing, individual members of the finance team did not always fully understand the business rationale of the journal posted or the impact that this had on the annual accounts. There therefore remains a risk that errors could be made. We therefore recommend that further training is provided to those staff responsible for posting of journal entries.	

The purpose of the audit was for us to express an opinion on the annual report and accounts. The audit included consideration of internal control relevant to the preparation of the annual report and accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

NHS Ayrshire and Arran's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FRM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation and the assessment and disclosure of significant judgements and estimates.

We will obtain written representations from the Board on matters material to the annual report and accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the annual report and accounts

We have issued an unmodified audit opinion.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the annual report and accounts that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the annual report and accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the annual report and accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

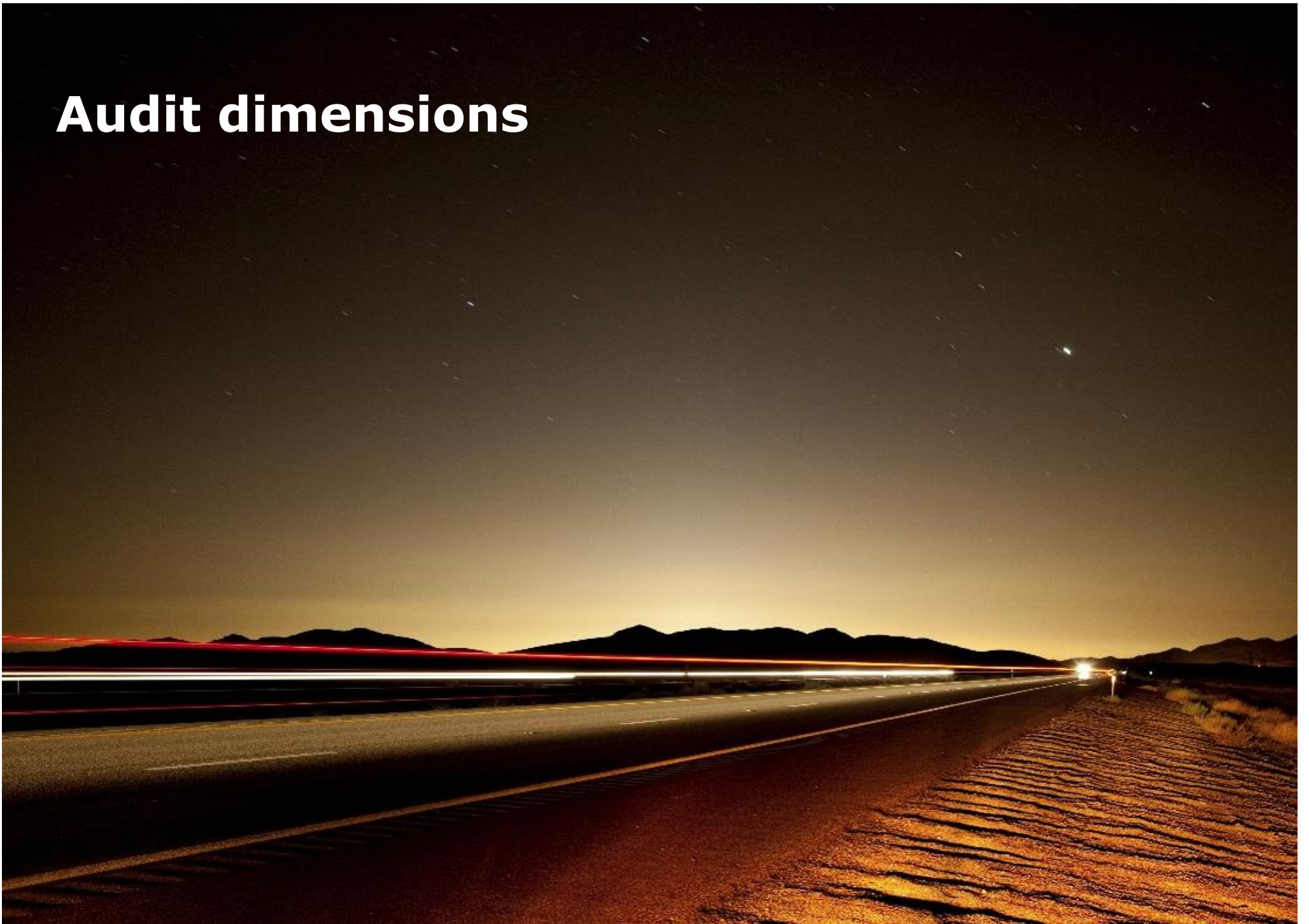
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 18.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the Board's performance, both financial and non-financial. It also sets out the key risks and uncertainty as set out in the Annual Operating Plan.	<p>We have assessed whether the performance report has been prepared in accordance with the accounts direction. Minor areas for improvement were identified relating to the inclusion of more information on the future expected performance and plans of the Board.</p> <p>We have also read the performance report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We have provided management with comments and suggested changes.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the governance statement is consistent with the annual report and accounts and has been prepared in accordance with the accounts direction. No exceptions noted.</p> <p>We have also read the accountability report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We have provided management with comments and suggested changes.</p> <p>We have also audited the auditable parts of the remuneration and staff report and confirmed that it has been prepared in accordance with the accounts direction.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	<p>The going concern disclosure and auditing requirements for NHS bodies have changed for 2020/21. In accordance with FReM, the Board has prepared its accounts on a going concern basis, applying the 'continuing provision of services' approach. Under this approach, the FReM indicate that the going concern assessment is not subject to material uncertainties, and no additional disclosures need to be considered.</p> <p>Under the 2020 revisions to Practice Note 10 "Audit of Financial Statements of Public Sector Bodies in the United Kingdom", our work has therefore focused upon confirming the use of the "continued provision of service" approach is appropriate. We have no matters to report in respect of this.</p> <p>The Board's arrangements to secure financial sustainability are considered as part of our audit dimensions work on pages 24-29.</p>

Audit dimensions

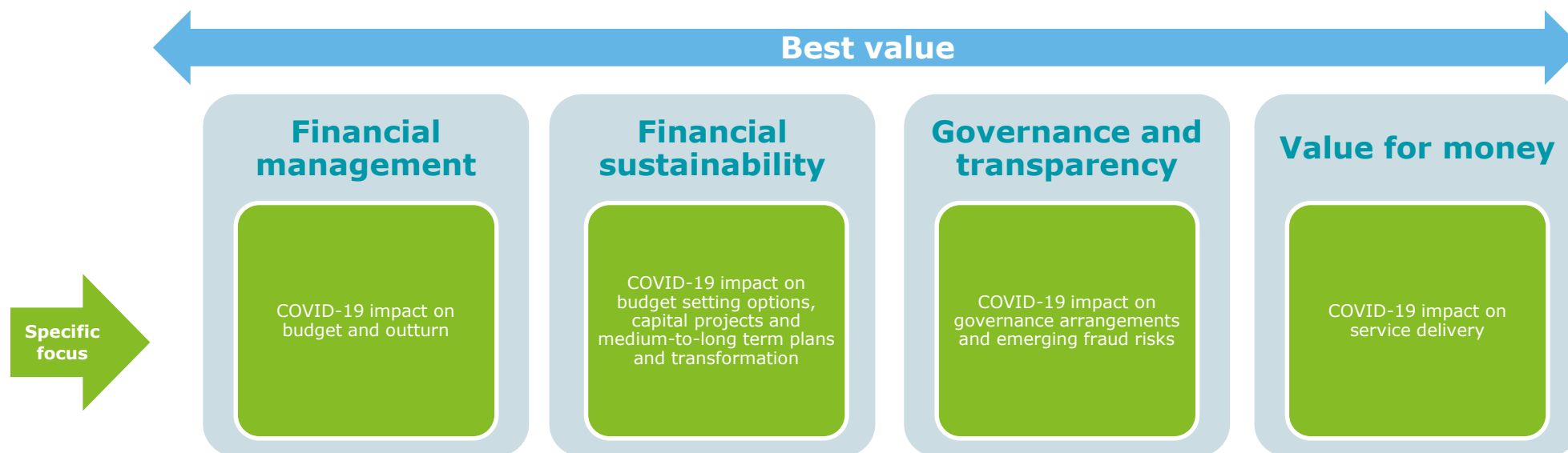


Audit dimensions

Overview

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audits. This section of the report sets out our findings and conclusions on our audit work covering the following areas.

The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Board has responded to these risks.



Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to financial management, we would continue to review the Board’s financial management arrangements. In addition, we also identified the following risk:

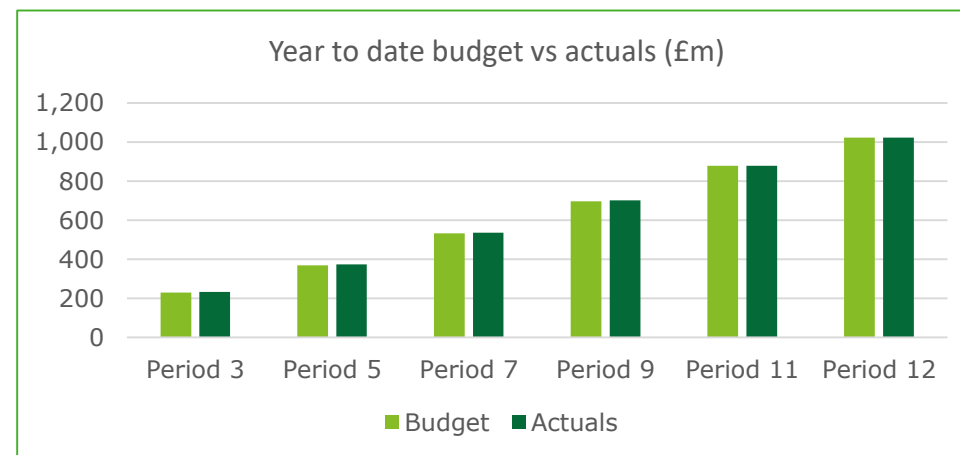
“Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal control change. In accordance with Audit Scotland planning guidance, we will consider fraud as a particular focus area in 2020/21.”

Current year financial performance

2019/20 conclusion: The Board continued to have effective financial planning and management arrangements in place, with the final outturn reported in line with the original budget. Compared to 2018/19 the Board achieved a smaller deficit before brokerage of £14.7m through addressing some legacy issues. This was consistently reported to the Board and the Scottish Government throughout the year.

2020/21 update: A £13.5m deficit budget was approved by the Board on 30 March 2020, which included an acute operational efficiency savings target of £8.5m. The position has gradually improved over the course of the year with the Board achieving a small year-end surplus of £0.6m against the original budget.

The financial performance has been consistently reported to the Board throughout the year, as highlighted in the graph to the right. This included regular updates to the budget to include the additional funding from the Scottish Government for COVID-19 related costs.



The main variance against the budget, which have contributed to the final year-end surplus, is a £10.7m underspend in acute services. This is due to the reduction in activity in outpatient and inpatient elective activity throughout most of the year due to prioritising the response to COVID-19. This underspend was also achieved by receiving non-recurrent funding from the Scottish Government for unachieved savings of £4.3m due to COVID-19.

COVID-19 costs incurred in the year totalled £67.1m. This is being funded by ‘one-off’ non-recurring funding from the Scottish Government.

Financial management (continued)

Current year financial performance (continued)

2020/21 conclusion: The Board continues to have effective financial planning and management arrangements in place, with a slight surplus of £0.6m achieved in the year. However, this surplus is largely due to reduced activity in outpatient and inpatient elective activity throughout the year as a result of COVID-19 and full non-recurring funding for all COVID-19 related costs, including unachieved efficiency savings.

Savings Plans

2019/20 conclusion: the Board has continued to face challenges in achieving savings required. In order to ensure future financial sustainability, it is critical that the Board sets more realistic targets, setting out clear plans, and ensuring that there is sufficient lead time to implement the changes required.

2020/21 update: The approved 2020/21 budget included a need to make cash releasing efficiency savings (“CRES”) of £17.2m. Progress against this target was closely monitored and reported to the Board throughout the year. The final outturn confirms a shortfall of £7.4m (40%) against an updated CRES target of £18.6m. The Scottish Government has funded the unachieved savings as part of the COVID-19 allocation on a non-recurring basis. The shortfall is, however, recurring and will need to be achieved in future years.

Whilst the reason for the unachieved savings is known and non-recurring funding is to be received, the Board will need to ensure realistic savings targets are set in future years with clear plans in place and sufficient lead time to achieve the savings.

2020/21 conclusion: The reason for not achieving the targeted CRES for the year is known and full non-recurring funding has been received from the Scottish Government to bridge the gap. However, the Board continues to face challenges in achieving the savings required. In line with our 2019/20 conclusions, in order to ensure future financial sustainability, it is critical that the Board set realistic targets, setting out clear plans, and ensuring there is sufficient lead time to implemented the changes required.

Financial reporting

2019/20 conclusion: The Board continues to have effective financial planning and management arrangements in place. The impact of COVID 19 and associated increased reporting has provided an additional pressure to finance staff It is important that this is closely monitored.

2020/21 update: The Board approved its 2020/21 budget on 30 March 2021. From our review of the financial monitoring reports during 2020/21, it is clear that in overall terms the reports to management, the Performance Governance Committee (“PGC”) and the Board are consistent to that reported to the Scottish Government.

2020/21 conclusion: In line with the prior year, the Board continues to have strong financial management arrangements in place with timely reporting.

Financial capacity

2019/20 conclusion: the Board has a qualified and experienced finance team.

2020/21 update: There have been no significant changes to the senior finance team and it continues to be led by a team of qualified and experienced members of staff, including the Director of Finance and two Assistant Directors of Finance. There has been a slight change to the finance team structure, with the creation of the Business Partner role for the acute division. This resulted in the Senior Finance Manager post for the acute division being vacated and responsibilities under this post being re-assigned to other members of the finance team.

Finance staff have dealt well with the additional demands of COVID-19, which includes adapting the financial monitoring reports to include the impact of COVID-19 on services, and the additional mobilisation plan reporting requirements to the Scottish Government.

2020/21 conclusion: The Board continues to have a sufficiently qualified and experienced finance team. While COVID-19 has increased the workload of finance staff, this has been well managed.

Financial management (continued)

Internal audit

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have also carried out a review of the internal audit reports published during 2020/21. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2020/21 Internal Audit Plan was approved by the Audit and Risk Committee in March 2020. The plan comprises 15 planned audits. During the year regular progress updates have been issued to the Committee communicating progress against the plan, which has included the impact of COVID-19 restrictions.

Some of the original planned work has been revised due to COVID-19 restrictions and the challenges of performing remote audits. However, it is expected that all 2020/21 planned reviews will be completed with the final four reports due to be presented to the Audit and Risk Committee in June 2021. From the work completed to date, no significant control deficiencies have been identified as a result of COVID-19 restrictions.

Whilst there was initially some delay in implementing internal audit recommendations with the 20 overdue recommendations reported as at November 2020, this position has significantly improved with the position reported in May 2021 of eight outstanding recommendations.

We have also considered the work of internal audit as part of our audit work on the Annual Governance Statement, which is discussed further on page 18.

Standards of conduct for prevention and detection of fraud and error

We have assessed the Board's arrangements for prevention and detection of fraud and irregularities. This has included specific considerations in response to the increased risk of fraud as a result of COVID-19. Overall we found the Board's arrangements to be to be designed and implemented appropriately.

The Audit and Risk Committee receives regular reporting from the NHS Counter Fraud Service summarising any ongoing fraud cases. It is positive to note that three new reviews were added to the 2020/21 internal audit plan in response to the additional fraud risks presented by COVID-19, including procurement, financial controls and the temporary governance arrangements, and that all three reports concluded reasonable assurance.

Our responsibilities under International Standards on Auditing have changed in the year and require specific reporting on irregularities. We have monitored the effectiveness of the Board's arrangements in place ensuring they are designed and implemented effectively, and have reported on this in our independent auditor's report in the Annual Accounts.

Deloitte view – financial management

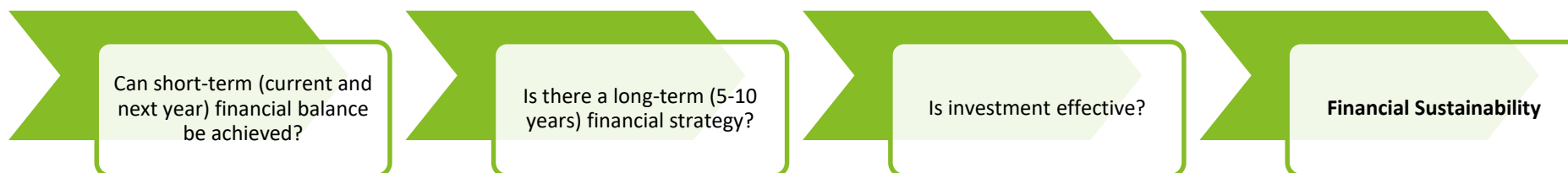
The Board continues to have effective financial planning and management arrangements in place and a sufficiently qualified and experienced finance team. While COVID-19 has increased the workload of finance staff, this has been well managed.

The Board has achieved a slight surplus of £0.6m in the year which is in contrast to brokerage required in previous years, and is largely due to the impact of COVID-19, resulting in reduced activity in outpatient and inpatient elective activity over the past year. Full non-recurring funding has been provided by the Scottish Government for all COVID-19 related costs, including unachieved efficiency savings. However, the Board continues to face challenges in achieving the savings required. In line with our 2019/20 conclusions, in order to ensure future financial sustainability, it is critical that the Board set realistic targets, setting out clear plans, and ensuring there is sufficient lead time to implemented the changes required.

It is positive to note that three new internal audit reviews were added to the 2020/21 internal audit plan in response to the additional fraud risks presented by COVID-19, with all concluding reasonable assurance.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following risk:

“Significant work is still required to make the level of transformational change needed based on the current forecasts. The ‘Caring for Ayrshire’ programme is a positive step forward, but still at early stages of development, with the pandemic impacting on progress.

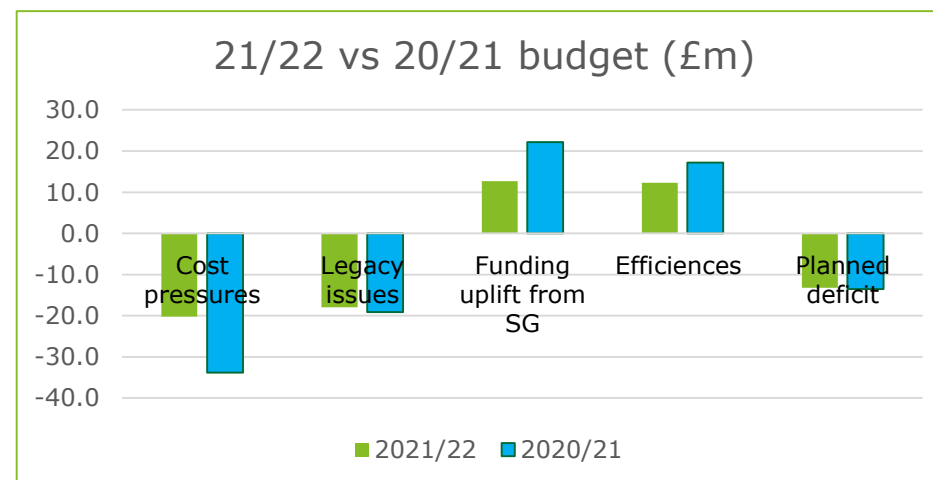
There therefore remains a significant risk that robust medium to long term planning arrangements are not in place to ensure that the Board can manage its finances sustainably and deliver services effectively., identify issues and challenges early and act on them promptly.”

Budget setting

2019/20 conclusion: Given the level of savings identified before considering the impact of COVID 19 the Board’s history of not achieving savings targets and the budget deficit position, the Board continues to have a significant risk of not achieving short term financial balance.

2020/21 update: The Board approved a deficit budget of £12.1m for 2021/22 on 24 May 2021. This is a similar position to the underlying deficit budget of £13.5m approved for 2020/21.

As discussed on page 21, COVID-19 has had an impact on the 2020/21 financial position, resulting in total unachieved CRES totalling £4.8m (£4.3m relating to acute), which has been carried forward in setting the 2021/22 budget. The Board has approved 2021/22 CRES savings plans of £13.5m. The overall position in arriving at this deficit budget is set out in the graph below. This demonstrates an improvement to the brought forward legacy issues which were £19.1m as part of setting the 2020/21 budget, and which are now £13.2m.



Financial sustainability (continued)

Budget setting (continued)

In setting its budget the Board has recognised that a number of risks exist including:

- Delivery of CRES is increasingly challenging. The acute CRES target of £4.3m is of particular note as this relates entirely to unachieved savings from 2020/21. The Board has recognised that it is unrealistic for acute services to deliver any further savings in 2021/22. They have identified savings plans totalling £3.0m, of which £1.95m is non-recurring. There remains a high risk associated with achieving these.
- £7.2m pay pressures – this is assumed to be 1% based on the public sector pay policy as an agreement has yet to be made on the NHS pay settlement for 2021/22.

COVID-19 will continue to place pressure on the achievement of short-term financial balance, although the Board expects that the Scottish Government will continue to fund COVID-19 related costs during 2021/22.

The 2021/22 budgeted earmarked funding for COVID-19 is £60.3m. As a result of the lessons learned from COVID-19, some changes have been identified to ways of working that the Board aims to take forward. This includes reduced travel and the use of electronic technology such as Teams and “Near Me”, which are expected to reduce travel costs by around £0.45million per year on a recurring basis.

Board members were fully involved in the budget process in advance of the formal budget setting meeting. This included three budget workshops for members in December 2020, February 2021 and May 2021, and a number of papers relating to the 2021/22 budget setting process, which were considered by members of the PGC in January and March 2021, before the final budget was approved in May 2021.

2020/21 conclusion: Given the unachieved savings of £4.8m carried forward from 2020/21, the Board’s history of not achieving savings targets, and the budget deficit position for 2021/22, the Board continues to have a significant risk of not achieving short term financial balance. While the full impact of COVID-19 is not yet known, the Board has assumed that any incidental costs from COVID-19 will continue to be fully funded by the Scottish Government.

Medium-to long-term financial planning

2019/20 conclusion: The Board has continued to be faced with an extremely challenging financial position in the medium to longer term. Given the risks associated with COVID-19 highlighted in the 2020/21 budget, these will need to be taken into account in updated medium- and long-term plans.

2020/21 update: Under normal circumstances, the Scottish Government require Health Boards to demonstrate financial balance over a medium-term three-year period, via submission of a three-year financial plan. This requirement has been put on hold for 2021/22 due to the impact of COVID-19, therefore a one-year AOP, including a financial plan, is required for 2021/22.

Due to not being able to achieve financial balance in previous years or demonstrate a 3-year projected breakeven position, the Board was placed on the NHS Board Performance Escalation Framework for monitoring. This position has been paused until the Board returns to financial balance, following which plans to repay the 2019/20 brokerage amount of £14.7m will need to resume.

Whilst there is no Scottish Government requirement for a three-year financial plan, it is important that the Board continues to look to the future, particularly with regards to how it can transform service delivery to identify long-lasting recurring savings for future year financial sustainability. This is considered in more detail in the next section.

Internal audit has reviewed the Board’s arrangements for financial sustainability as part of their 2020/21 internal audit programme. This report has been rated as partial assurance with improvement required as it contains 3 medium rated recommendations.

Financial sustainability (continued)

Medium-to long-term financial planning (continued)

2020/21 conclusion: The requirements for a three-year financial plan have been put on hold due to the ongoing pressures of dealing with COVID-19. There is currently no set date for when this requirement will resume. The Board is therefore unable to demonstrate that it is financially sustainable in the medium and longer term. Whilst we understand that COVID-19 has had an impact on the ability to look beyond 2021/22, it is critical that the Board consider how services will be delivered in the future in a financially sustainable way.

Transformation strategy

2019/20 conclusion: the *Board* has continued to build on improvement initiatives that it started in 2018/19 in terms of tracking the progress of programmes/projects and savings. This includes regular reporting by the PMO on progress in implementing transformational change schemes. Significant work is still required to make the level of transformational change needed based on the current financial forecasts, with COVID 19 likely to impact on original timelines.

2020/21 update: The Board's Transformational Change Improvement Plan ("TCIP") 2017-20 was approved by the Board in June 2017. This set out the Board's programmes of transformational change for the period 2017 to 2020. There has been no update to this plan.

Regular reporting on progress with the improvement initiatives has historically been made to the Corporate Management Team ("CMT"), the PGC and the Scottish Government. This was paused in March 2020 as staff were asked to support other projects/ programmes relating to managing the pandemic.

As part of its transformation agenda, the Board commenced its Caring for Ayrshire programme during 2019/20, which is a ten-year vision for health and social care provision. Engagement with the public commenced but this was put on hold due to the COVID-19 pandemic and has not yet resumed.

Whilst the Caring for Ayrshire programme was paused, there has still been progress in transformation and service re-design throughout the year. In response to COVID-19, various remobilisation plans have been submitted to the Scottish Government over the past year, with the latest being the Remobilisation Plan 3 ("RMP3"), a draft of which was approved by the Corporate Management Team ("CMT") and the Board in February 2021. Board members were also involved in discussions about RMP3 through the budget workshops in December 2020 and February 2021. This has been now submitted to the Scottish Government for their comments. Following feedback from the Scottish Government, there will be an opportunity to refine and develop the RMP3, with the final plan due to be submitted to the IJBs and NHS Board for approval.

RMP3 sets out the Board's plans for 2021/22 for renewal and recovery, in line with the NHS Scotland COVID-19 Framework for Decision Making of Re-mobilise, Recover and Re-design and the subsequent correspondence received from the Scottish Government regarding remobilisation.

Examples of targeted areas of transformational service redesign identified in the RMP3 include:

- Re-design of urgent care to avoid/reduce admission within the Emergency Department and Clinical Assessment Units;
- Re-design of services through digital transformation, for example "Near Me" video conferencing, to allow for more services to be delivered at home or in the community;
- Increasing the care at home capacity to minimise delayed discharges;
- Staff Wellbeing Programme – this includes staff wellbeing hubs introduced in response to the additional pressures on the workforce, which will remain in place for future years; and
- Routinisation of the COVID-19 Immunisation Programme to make it part of a national programme alongside the flu programme.

Financial sustainability (continued)

Transformation (continued)

The Board has continued to work closely with the three Ayrshire Integration Joint Boards (IJBs) and the Health and Social Care Partnerships throughout the pandemic. This included helping to speed up discharge of people from hospitals into the community to increase capacity in hospitals for coping with the demand from COVID-19, and making the wellbeing hubs available to not only NHS staff, but third sector, voluntary sector and HSCP staff.

Partnership working is also embedded through the organisation through:

- The newly created Community Wealth Building (“CWB”) Commission, on which the Board is an anchor institution. The CWB Commission includes representation from the three Ayrshire Councils, Police Scotland, Ayrshire College, Scottish Enterprise, Scottish Fire and Rescue and the Ayrshire Community Trust.
- Ongoing work through the three Community Planning Partnerships (“CPPs”).

No progress has been made with the recommendation that we made last year regarding the implementation of detailed transformation plans. This is due to the Caring for Ayrshire programme being put on pause, along with transformation activities, with the focus shifted to managing the more pressing demands of the COVID-19 pandemic.

2020/21 conclusion: Whilst the Caring for Ayrshire programme has been paused in the past year due to prioritising the management of COVID-19, management have identified lessons to be learned from the new ways of working that have been progressed during the pandemic. More work is, however, still required to reset the previous TCIP to determine whether the previous transformation initiatives continue to be relevant in a post-pandemic world. This should build on the good ideas that have been set out in the RMP3, including digital transformation. Our previous recommendation, to prioritise the development of detailed transformation programmes with clear action plans, milestones and the associated capacity and resources to deliver transformational change, continues to apply.

Workforce Planning

2019/20 conclusion: Not specifically reported on within our 2019/20 report.

2020/21 update: In response to the increased risk in relation to COVID-19, Audit Scotland guidance suggested that workforce and staff management was considered in assessing whether the Board is using its resources effectively.

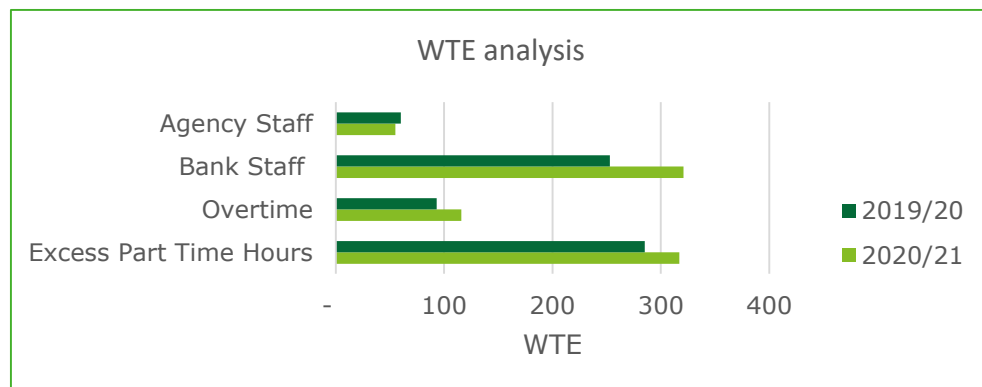
The Scottish Government required all Boards to submit an Interim Workforce Plan by 20 April 2021. We have reviewed the draft of this plan, which has been approved by the Area Partnership Forum and Staff Governance Committee. The plan builds on the RMP3 which briefly covered the impact of COVID-19 on the workforce. Comments are due back from the Scottish Government by 31 May 2021 following which the plan will be finalised.

The plan acknowledges the continued impact of the pandemic on demand for services and the importance of continuing to focus on the physical and mental wellbeing of all staff. The demands of COVID-19 have resulted in an increase in the workforce including, for example, additional staff for COVID-19-specific services such as test and protect and the vaccination programme.

Over the past year, the Board has responded well to ensure that appropriate resources have been made available to meet the demand of COVID-19. This has often been through temporary solutions such as the use of student nurses, additional hours for part-time staff, and significant overtime, resulting in a significant increase in untaken leave. This is demonstrated in the graph on the following page, which compares the different whole time equivalent (“WTE”) numbers for different categories of staff costs between 2019/20 and 2020/21. The additional staff costs attributable to COVID-19 are being fully funded by the Scottish Government. The workforce plan acknowledges that a more sustainable solution is required to ensure the long-term sustainability of the workforce. This is further supported by an action plan to start work on developing a 2022/23 workforce plan to analyse workforce requirements and to have a systemic look at challenges and solutions and levers to be utilised over next 3-year period.

Financial sustainability (continued)

Workforce Planning (continued)



Staff adapted well to remote working, adopting digital technologies to adapt to different ways of working. This has included use of technology to facilitate continued communications with service users, more flexibility meeting times and less need for travel. COVID-19 has accelerated the adoption of technology, including streams of transformation work that were already underway prior to COVID-19. This has included the use of digital technology such as “Near Me” and Microsoft Teams, to enable more services to be delivered at home or in the community and the workforce to become agile in their approach to health and social care and their ability to work from home.

Staff have also been kept informed, supported and motivated throughout COVID-19 through Staff Wellbeing Hubs, which provide physical locations where staff working in a community setting, and hospital wards can get respite and support. There is an ongoing commitment to fund the Staff Wellbeing Hubs for future years. There is also a listening service available for NHS, HSCP, third sector providers, commissioned services, care home staff, NHS 24, Scottish Ambulance Service and volunteers working within the sector across Ayrshire and Arran which staff can phone for support.

2020/21 conclusion: It is positive to see that efforts have been taken during the year to respond to the pressures experienced by the workforce as a result of the pandemic, prioritising the wellbeing of staff and that the Board has been actively listening to what the workforce has had to say.

COVID-19 has had a significant financial impact on staff costs, which has included significant amounts of overtime and untaken leave. It is important that the Interim Workforce Plan is developed into a longer-term workforce plan to ensure the long-term viability of the workforce and that this is closely aligned to the work being carried out as part of transformation.

Financial sustainability (continued)

Deloitte view – Financial sustainability

Given the unachieved savings of £4.8m carried forward from 2020/21, the Board's history of not achieving savings targets, and the budget deficit position for 2021/22, the Board continues to have a significant risk of not achieving short term financial balance. While the full impact of COVID-19 is not yet known, the Board has assumed that any incidental costs from COVID-19 will continue to be fully funded by the Scottish Government.

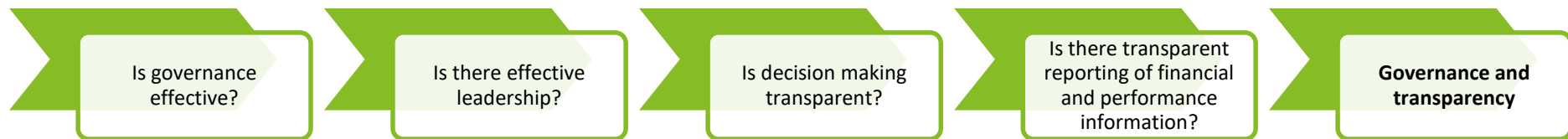
The requirements for a three-year financial plan have been put on hold due to the ongoing pressures of dealing with COVID-19. The Board is therefore unable to demonstrate that it is financially sustainable in the medium and longer term. Whilst we understand that COVID-19 has had an impact on the ability to look beyond 2021/22, it is critical that the Board consider how services will be delivered in the future in a financially sustainable way.

Whilst the Caring for Ayrshire programme has been paused in the past year due to prioritising the management of COVID-19, management have identified lessons to be learned from the new ways of working that have been progressed during the pandemic. More work is, however, still required to reset the previous TCIP to determine whether the previous transformation initiatives continue to be relevant in a post-pandemic world. This should build on the good ideas that have been set out in the RMP3, including digital transformation. Our previous recommendation, to prioritise the development of detailed transformation programmes with clear action plans, milestones and the associated capacity and resources to deliver transformational change, continues to apply.

It is positive to see that efforts have been taken during the year to respond to the pressures experienced by the workforce as a result of the pandemic, prioritising the wellbeing of staff and that the Board has been actively listening to what the workforce has had to say. COVID-19 has had a significant financial impact on staff costs, which has included significant amounts of overtime and untaken leave. It is important that the Interim Workforce Plan is developed into a longer-term workforce plan to ensure the long-term viability of the workforce and that this is closely aligned to the work being carried out as part of transformation.

Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified there is a risk that the revised governance arrangements put in place in response to the pandemic were not appropriate or operating effectively.

In relation to the IJB there continues to be an ongoing risk that the IJB does not achieve the full benefits of integration along with a balanced budget position.

We also identified that while there are risk management processes in place, that there is a risk that officers and Committee members have not considered how sustainable any changes to the risk appetite will be in the longer term.

Leadership

2019/20 conclusion: We have concluded that the Board continued to have a strong leadership in place and with its partners, has a clear vision for what it wants to achieve for the people of Ayrshire Board members and staff support the vision. The recommendation raised in 2018/19 to review the capacity of all Board members roles and responsibilities has been implemented.

2020/21 update: The Chief Executive will vacate his post in June 2021 and the Deputy Chief Executive will take on the role of Interim Chief Executive until such time as a permanent replacement is recruited. Assurance has been provided in relation to the recruitment process which will consider both external and internal applicants. We will monitor progress as part of our 2021/22 audit.

There have also been two changes in the CMT with a new Director of HSCP (North) appointed in December 2020 and a new Director of HSCP (East) appointed in January 2021.

There have also been some changes in the Board composition during the year. The Board Chair, Vice Chair and Head of Corporate Governance have carried out the annual review of Non-Executive Member representation on Board Committees and IJBs in February 2021. This includes the Chair's consideration of the range of skills available to ensure that all committees and IJBs continue to have a strong mix of skills.

The changes include two new Non-Executive Directors ("NED") who started in January 2021 and April 2021, and another NED whose term came to an end at the end of March 2021. There are a further two changes due with one NED due to step down in October 2021, and one new NED due to join in November 2021.

Many of the new members come from non-NHS backgrounds, which has brought fresh perspective, energy and a different vision for the Board. This should help with executing the Board's transformation agenda through Caring for Ayrshire and any updates of the Transformation Change Improvement Plan.

A standardised induction process continues to be used, tailored for the specific needs of the NEDs. NEDs also receive adequate support from the CMT and there is an open-door policy with both the Chief Executive and Chair of the Board.

The Board have a "Promoting a Positive Culture within NHS Ayrshire and Arran" plan, which was set for 2019/20 and 2020/21. By November and December 2020, 23 sessions on psychological safety were delivered and were attended by over 450 clinical and non-clinical leaders from supervisory to director level. Leaders also developed local action plans and personal pledges to improve encouragement, openness and diversity of views in support of the reform agenda. In January and February 2020, 18 culture workshops were also delivered across all directorates and HSCPs. As a result of these workshops, it is evident that the Board are committed to embedding a positive culture across all levels and directorates.

Governance and transparency (continued)

Leadership (continued)

From discussion with a number of officers and board members as part of the audit and observation at meetings, it is clear that there is a positive and collaborative culture throughout the organisation, which includes close working relations between the IJB, Council and Health Board. Leadership has been effective during the past year. This included regular communications from both the Chief Executive and the Chair of the Board throughout the first three months of the pandemic.

2020/21 conclusion: The Board continues to have strong and effective leadership and the transition of the two new Directors of the East HSCP and North HSCP went smoothly. There is a continuing positive and collaborative culture. We will monitor progress with the recruitment process for the Chief Executive post during our 2021/22 audit.

Governance and scrutiny arrangements

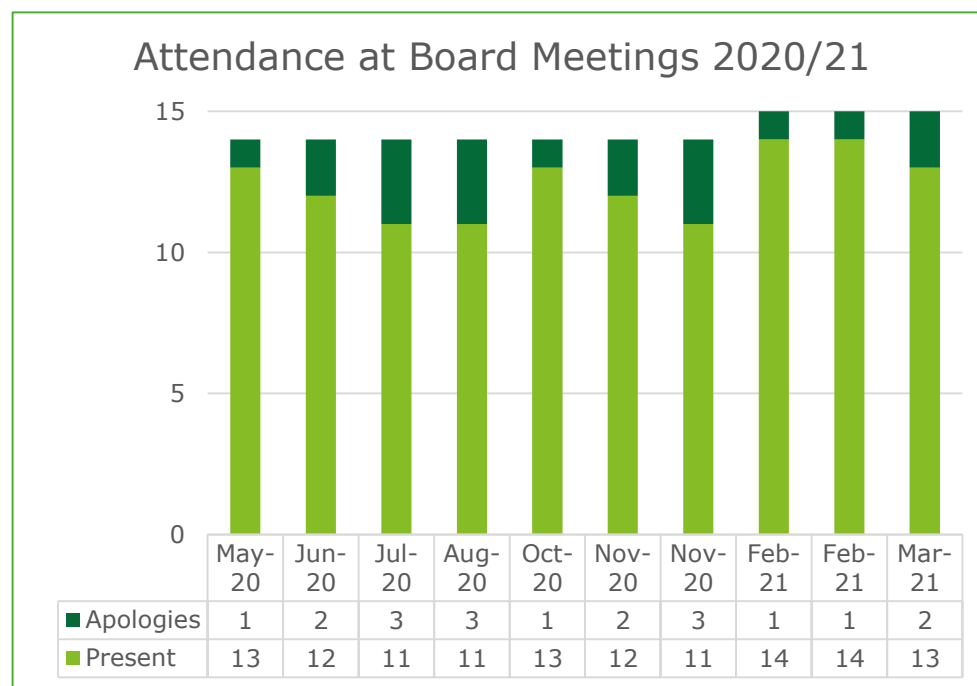
2019/20 conclusion: The Board continues to have strong governance and scrutiny arrangements as demonstrated by the improvements that have been made since last year to implement the improvement actions in response to the self-assessment against the “blueprint for good governance”. Appropriate processes have been put in place to temporarily change the arrangements in response to COVID-19.

2020/21 update: In response to the challenges arising as a result of COVID-19, the Board agreed some temporary changes to its corporate governance arrangements on 30 March 2020. This included:

- The Board meeting in March was not held in public as it was convened as a telephone conference.
- Board Governance and standing committees were paused following the March meeting with the exception of the Audit and Risk Committee in order to progress the annual accounts process.
- Ad hoc governance meetings or additional Board meetings will be arranged as appropriate.

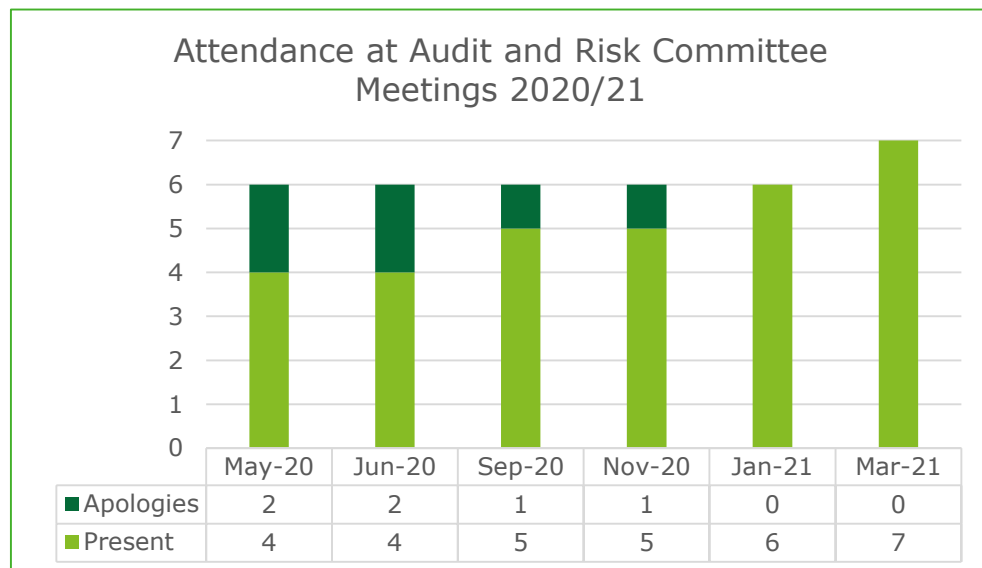
Given the very temporary pause to governance meetings, with prompt resumption from the end of May 2020, there was very little disruption. In the intervening period, the Integrated Governance Committee met twice for extraordinary meetings on COVID-19. Meetings have now resumed and been held regularly via teleconferencing.

From analysis of Board member attendance during 2020/21 and observations at the Committee, we are satisfied that there has been effective scrutiny and challenge.



Governance and transparency (continued)

Governance and scrutiny arrangements (continued)



In addition to the normal strategic risk register, the Committee approved a separate COVID-19 risk register in November 2020, with subsequent monitoring and updating on a weekly basis by the Emergency Management Team (“EMT”). The Committee has also considered Audit Scotland’s guide on the emerging fraud risks arising from COVID-19 and the guide to Audit and Risk Committees during the year. The Counter Fraud Service highlighted the fraud risks of procurement, as well as theft and fraud risks around personal protective equipment (PPE), which was also considered at the September 2020 Committee meeting.

EU withdrawal has not been specifically considered in setting the 2021/22 budget or in the RMP3 as management have assessed the risk as moderate. Responsibility for managing this risk is delegated by the Risk and Resilience Scrutiny and Assurance Group (“RRSAG”) to the EMT. Assurance on managing this risk is provided to the Board via the RRSAG and Integrated Governance Committee.

2020/21 conclusion: The Board continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned.

Openness and transparency

2019/20 conclusion: NHS Ayrshire and Arran continues to have a good attitude to openness and transparency.

2020/21 update: The Board has continued to be open and transparent with its decision making. It has remained in communication with the public through continued accessibility to Board agendas and minutes on the NHS Ayrshire and Arran website. Following the update to the governance arrangements in March, when meetings initially moved to virtual via Microsoft Teams, there wasn't a facility for members of the public to join. This has now been addressed with access available from January 2021 for members of the public to join online meetings.

The Board was in the process of engaging with the public on the Caring for Ayrshire programme. However, this had to be put on hold to allow management to focus on managing the COVID-19 pandemic. Once this is managed, it is expected that engagement will resume.

2020/21 conclusion: The Board continues to have a good attitude to openness and transparency, which includes making the Board’s meetings accessible to members of the public through Microsoft Teams.

Governance and transparency (continued)

Health and social care partnership

2019/20 conclusion: The Board has made good progress with improving the governance arrangement with the IJBs, which includes refreshing the Directions, and improving three-way communication between leaders of the IJBs, the Board, and the Councils.

2020/21 update: The Board continues to exercise oversight and scrutiny of the HSCP's operations through the HSCP financial performance that is built into the Board's financial management arrangements. The Committee also exercises oversight through internal audit which performs specific work relating to the IJBs; this includes work on delayed discharges as part of the 2020/21 internal audit plan.

The Board also exercises operational oversight through receiving and considering key strategy documents of the IJBs, including strategic plans, and also receives updates through consideration of IJB Board meeting minutes at each meeting.

The Board has continued to work closely with the IJBs over the course of the past year. This included convening of an EMT, which was formed in February 2020 and met 7 days per week between April and May 2020 and during the peak of the second wave of the pandemic to make decisions in response to service pressures. The EMT included all directors, including the HSCP Directors.

There is also a lot of close working with partners through involvement on the CWB Commission and the CPP, which the Chief Executive and Chair of the Board both sit on. Going forward, work should resume with the Caring for Ayrshire programme to transform health and social care provision in Ayrshire and Arran.

2020/21 conclusion: The Board has continued to build on the positive working relationship with the IJBs in the past year. The Board should look to resume work with the IJBs and other key strategic partners on transforming the future of health and social care provision through the Caring for Ayrshire programme. This should include building on the ideas set out in the RMP3, which includes some good lessons learned from the pandemic, including digital transformation.

Deloitte view – governance and transparency

The Board continues to have strong and effective leadership with a positive and collaborative culture. The Chief Executive is due to leave in June 2021. We will monitor progress with the recruitment process for the Chief Executive post during our 2021/22 audit.

The Board continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned.

The Board has continued to build on the positive working relationship with the IJBs in the past year. The Board should look to resume work with the IJBs and other key strategic partners on transforming the future of health and social care provision through the Caring for Ayrshire programme and building on the lessons learned from the pandemic, including digital transformation. Changes in leadership during the year also included the appointment of two new Directors of the East HSCP and North HSCP, which went smoothly.

Value for money

Value for money is concerned with using resources effectively and continually improving services.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that the pandemic is expected to have had a substantial impact on performance measures during the year, and therefore that *“there is a risk that performance reporting has not been timely, reliable, balanced, transparent and appropriate to users’ needs.”*

Performance management framework

2019/20 conclusion: The Board has continued to have well established performance reporting arrangements, but this is currently on hold due to the focus on the management of COVID-19.

2020/21 update: The Board’s approach to performance management has remained consistent during 2020/21. The Board’s AOP includes detailed planning assumptions and expected levels of operational performance to support the delivery of key priorities on improving Elective, Cancer and Mental Health Waiting Times, and Unscheduled Care performance. These areas are presented within the quarterly performance reports to the PGC and Board.

The AOP for 2020/21 was largely put on hold, including reporting on the standards, to allow full resources to be dedicated to the management of COVID-19. While achievement of some performance standards haven’t been a priority, the frequency of performance reporting has continued in line with previous years. Performance reports are all considered at either the Board or PGC and cover both unscheduled care and planned care so that the Board are sighted on the corresponding impact of COVID-19 across the system as a whole.

The Strategic Emergency Management Team has overseen the re-mobilisation and recovery plans and where relevant, high level summaries of current plans are included in the performance reports. This provides assurance to the Board that services continue to be monitored and reviewed to reduce, where possible, the negative impact of COVID-19 on the provision of unscheduled and planned care.

In September 2020, the Board Chair and the Chief Executive attended an annual review with the Minister of Health and senior officials. During this review, there was significant focus on the response to the pandemic and remobilisation of services.

2020/21 conclusion: The Board continues to have well established performance management arrangements, although the AOP measures for 2020/21 were largely put on hold, including reporting on the standards, to allow full resources to be dedicated to the management of COVID-19. This has been facilitated by updated performance reporting arrangements to include reporting on the impact of COVID-19.

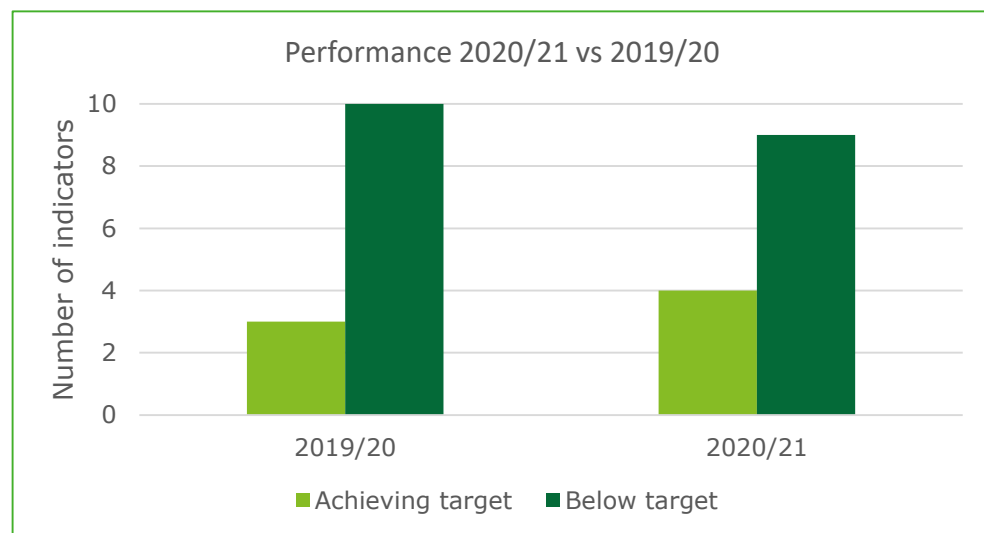
Value for money (continued)

Performance data

2019/20 conclusion: Prior to the COVID 19 pandemic, while actions have been identified to address area of poor performance, the impact is not yet evidenced in the performance data. Management should continue to focus on improving performance across the Board in relation to those measures that have consistently under-performed compared to national targets. We do, however, recognise that resources are currently focussed on managing the impact of COVID-19.

2020/21 update: At the outset of the COVID-19 pandemic, the Board were required to significantly increase the Intensive Care capacity to manage critically ill COVID-19 cases. The cancellation of non-urgent elective inpatient and day case surgery also created additional bed capacity for both COVID-19 and non COVID-19 emergency admissions, and released medical, nursing and other clinical staff to assist with this emergency activity. The Board continued to treat urgent cancer patients throughout the outbreak, and also prioritised the continued provision of CAMHS.

A summary of the performance against target is provided in the chart below:



Areas performing well include the following:

- **Cancer Treatment within 31 days: 98% (target: 90%)** Performance, whilst well above the target of 90%, decreased slightly in January and February 2021 as a result of the pause in cancer surgery to focus resources on the increase in COVID-19 cases.
- **Children and Adolescent Mental Health Services (CAMHS) Waiting Times: 99.2% (target: 90%)** This has improved considerably since last year (2019/20: 67.9%).
- **Psychological Therapy: 91.1% (target: 90%)** The Board have also improved with regards to Psychological Therapy which was considered to be below an acceptable limit last year (71.7%) and has achieved target for the first time in March 2021.

Areas for improvement include:

- **Cancer Treatment within 62 days: 69.5% (target: 95%)** There has been a steady decline in this indicator over the past year compared to 96.2% in March 2020.
- **Waited fewer than 12 weeks for a New Outpatient appointment: 39.0% (95%)** This is an area that has been significantly affected by the prioritisation of COVID-19, which resulted in the cancellation of approximately 2,000 new outpatient appointments as well as planned operations at the end of March 2020, which reversed the success in improving planned care performance seen in 2019. This has also impacted on the waiting times for inpatient and day case treatment.

Board members have received regular reporting on the impact of COVID-19, including updates on Remobilisation Plans. The remobilisation plan reporting includes details on the Board's overall response to various issues such as Care Homes, Public Protection, Mental Health, Primary Care, Urgent Care and the impact on finance. In addition, the Board reports publicly on the impact of COVID-19 primarily through its COVID-19 information service online. This is aimed to inform the public of what services have been halted as a result of the pandemic.

Value for money (continued)

Performance data (continued)

2020/21 conclusion: Whilst the Board's performance is improving in some areas, for example CAMHS, and continues to perform well in other priority areas such as cancer treatment within 31 days, prioritisation of COVID-19 has impacted on other waiting times, such as relating to cancer treatment within 62 days, and outpatient and inpatient waiting times. As part of re-mobilisation and recovery, management should continue to focus on improving performance across the Board in relation to those measures that have consistently under-performed compared to national targets.

Equalities

2019/20 conclusion: Not specifically reported within our 2019/20 report.

2020/21 update: The Board recently published its "Mainstreaming Report" in March 2021, which is its fourth report since the inception of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This sets out how NHS Ayrshire and Arran, as an organisation, has worked towards ensuring that equalities are being mainstreamed into the functions and activities of the organisation. It also provides information on its employees, reported by their protected characteristics, and demonstrates the ways in which the organisation is meeting the general and specific duties as set out in the Equality Act 2010.

The report highlights that the Board recognise the impact COVID-19 has had on communities and many areas of equality where this has exacerbated some of the challenges already faced. The Board is committed to continue to minimise or mitigate, as far as possible, these impacts to ensure its communities are afforded the best possible care.

Through the development of the Remobilisation Plan, in response to poverty and health inequalities, the Board has taken a whole system approach to the short and medium term activities, many of which are already established and can be further enhanced through collaborative working at both a national and local level.

The socio-economic impact of the COVID-19 pandemic is significant and it is likely to have a disproportionate impact on people living in areas of multiple deprivation; those who were not in a good position prior to the pandemic and those from ethnic minority groups. NHS Ayrshire and Arran is working with Community Planning Partners in East, North and South Ayrshire who are already established to engage with communities directly.

2020/21 conclusion: The Board has a clear focus on improving equality outcomes and recognises the impact that COVID-19 is expected to have and is actively working with partners towards addressing this.

Deloitte view – Value for money

The Board continues to have well established performance management arrangements, although the AOP measures for 2020/21 were largely put on hold, including reporting on the standards, to allow full resources to be dedicated to the management of COVID-19.

Whilst the Board's performance is improving in some areas, for example CAMHS, and continues to perform well in other priority areas such as cancer treatment within 31 days, prioritisation of COVID-19 has impacted on other waiting times, such as relating to cancer treatment within 62 days, and outpatient and inpatient waiting times. As part of re-mobilisation and recovery, management should continue to focus on improving performance across the Board in relation to those measures that have consistently under-performed compared to national targets.

The Board has a clear focus on improving equality outcomes and recognises the impact that COVID-19 is expected to have and is actively working with partners towards addressing this.

Best value

The Scottish Public Finance Manual ('SPFM') explains that accountable officers have a specific responsibility to ensure that arrangements have been made to secure **Best Value**.

The duty of Best Value, as set out in the SPFM

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance.
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.

The SPFM sets out nine characteristics of Best Value which public bodies are expected to demonstrate. The refreshed guidance issued by the Scottish Government in 2011 focused on 5 generic themes and 2 cross-cutting themes, which now define the expectations placed on Accountable Officers by the duty of Best Value.

Five themes:

1. Vision and Leadership
2. Effective Partnerships
3. Governance and Accountability
4. Use of Resources
5. Performance Management

Cross-cutting themes:

1. Equality
2. Sustainability

BV arrangements

The Board has a number of arrangements in place to secure best value. This is evidenced through the Annual Operating Plan and the Annual Performance Reporting.

As noted elsewhere within this report, the Board has an established governance framework and strong leadership and partnership working as demonstrated in the Caring for Ayrshire programme. This programme is still in the early stages and has been paused to allow the Board to focus on responding to COVID-19. We expect efforts to resume in transformation of services as part of remobilisation and recovery activities identified in the RMP3.

The Board recognises that it must deliver services within the financial resources available and, as noted elsewhere in this report, significant work is required to achieve medium to longer term financial sustainability.

Non-financial performance reporting has continued throughout the past year. Whilst the focus has primarily been on managing COVID-19, the Board has still worked to improve performance in some areas, including CAMHS and other waiting time areas. However, some areas of performance have been adversely affected by the prioritisation of COVID-19, including outpatient and inpatient waiting times, and 62 day waiting time for cancer treatment.

Deloitte view – Best Value

The Board has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. However, as noted within the report, significant work is required to achieve medium to longer term financial sustainability.

Emerging issues

Climate change

Background

As noted in our audit plan, climate change is likely to drive some of the most profound changes to businesses in our lifetime. The global response to the COVID-19 pandemic could inform the fight against climate change and advantages taken of the inevitable response, such as less unnecessary air travel for business meetings and more home working, supported by better videoconferencing facilities. In collaboration with the ICAEW, Deloitte have launched a site to support considering what climate change means for finance professionals, accessible at: www.deloitte.co.uk/climatechange

Board preparedness

As part of our audit work in 2020/21, we have performed a high level assessment of the work that the Board has done in relation to preparing for the impact of climate change and concluded as follows:

Baseline expectations

The latest Carbon Emissions report produced by the Board confirms that NHS Ayrshire and Arran produced 25,234 tonnes of CO2 emissions in 2019/20. A reduction target of 75% has been set in law to achieve by 2030 on a 1990 baseline. The Board has also committed to creating a Net Zero Routemap as part of a pilot project, towards the aim of achieving the Scottish Government and NHS Scotland's commitment to be net-zero for greenhouse gas emissions by 2045. The Board are one of three Boards to have been signed up to this pilot by NHS Scotland, the other two being NHS Shetland and NHS Education Scotland.

The Climate Change (Scotland) Act 2009 sets out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which NHS Ayrshire & Arran is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Governance: Climate change is a strategic issue and should be on the Board's agenda. Explain how you assess climate change risk as a strategic issue.

Climate change is not in any of the Board's key strategy documents. However, it is built into some other key documents such as the 2019/20 Carbon Emissions Report. Within this report, it states that in order to achieve the target of achieving a 75% reduction on the 1990 baseline, the Board will need to achieve a further 50% reduction over the next 10 years. The Carbon Emissions reports sets out what the Board can do over the next 10 years in order to achieve this target. This includes, for example:

- Decarbonising the Board's buildings' heating, transitioning away from fossil fuel burning for heat, power and travel. This will require infrastructure investment.
- Improving building fabric, insulation, windows and air tightness to reduce the heating load on buildings.
- A central funding mechanism for infrastructure projects will be required to make inroads into the 2030 target.
- Working pan-Ayrshire wide with community planning teams, council partners and the private sector to achieve net zero targets.
- The development of a Climate Change and Sustainability Strategy to identify additional specific projects targeting CO2 emission reductions.

Emerging issues (continued)

Climate change (continued)

Board preparedness (continued)

Baseline expectations (continued)

Targets and metrics: If targets and metrics are disclosed, explain how those targets or metrics fit into strategic targets/approach.

The Board's 2019/20 Carbon Emissions Report sets out how the Board is progressing with achieving its target of reducing carbon emissions by 75% by 2030. The Board is progressing well with this target, having already reduced its emissions by 35% since 2015/16. The Net Zero Routemap considers a number of different possible routemaps for achieving the Scottish Government and NHS Scotland's goal of becoming net-zero emitters of greenhouse gases by 2045, and identifies that the best option for the Board is to pursue a "Balanced Roadmap" in order to reduce emissions by 86% on the 2019/20 baseline by 2045. This includes the following proposed measures:

- Move away from gas-fired heating across the NHS Ayrshire and Arran estate by replacing fossil fuel heating systems with district heating, electric heating systems such as heat pumps or storage heaters.
- Establish renewable power as a direct service where feasible.
- Engage with East Ayrshire Council and other key stakeholders regarding connecting hospitals to local heat networks.

There are currently no targets or metrics built into the existing suite of performance measures or transformation activities that monitors the Board's progress towards reducing carbon emissions. The Net Zero Routemap includes some generic examples of supporting targets for the Board, which the Board could consider, or develop its own targets.

Reporting/annual report and accounts: Transparency in the annual accounts.

Narrative included in the 2020/21 Annual Report and Accounts briefly touches on measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050, including how the Board complies with the requirements of the Climate Change (Scotland) Act 2009 by submitting an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act.

The Board may want to consider including more narrative within future Annual Reports to set out what work the Board is doing to address this Climate Change risk.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the annual report and accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.


What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 21 July 2021

Sector developments



Digital transformation

Shaping the future of European healthcare

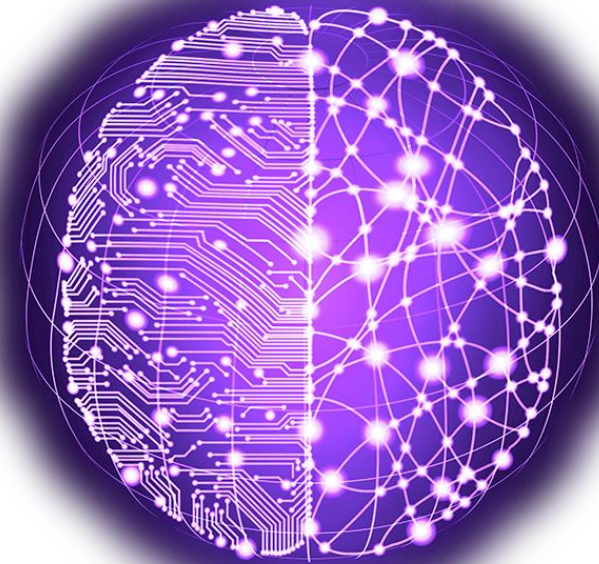
Background and overview

Digital technologies are crucial enablers for bridging the gap between demand for healthcare and the capacity of healthcare services to meet demand. Leveraging the opportunities and efficiencies offered by digital transformation is key for any organisation to remain viable and fit for the future, but for Europe's healthcare services, which are made up of multiple services and organisations, across a range of geographies and jurisdictions, the challenges and solutions are complex.

This is the third report from Deloitte UK's Centre for Health Solution's 'Shaping the future of healthcare' series. While our first two reports focused on the UK, this report surveyed 1,800 clinicians to explore the potential for digital transformation to address the current and future challenges facing healthcare systems in Europe.

Next steps

A summary of the key conclusions are provided on the following pages. The full report is available at [deloitte-uk-shaping-the-future-of-european-healthcare.pdf](https://www.deloitte.com/uk/en/sectors/healthcare/shaping-the-future-of-european-healthcare.pdf)



Digital transformation (continued)

Shaping the future of European healthcare (continued)

The drivers of digital transformation in healthcare

Healthcare systems across Europe are facing unprecedented pressure. While the quantity and quality of care has improved, the scale and complexity of healthcare needs have grown, together with public expectations of more personalised and convenient services.

At the same time, healthcare staff and resources have become increasingly constrained and the gap between supply and demand has grown. Most countries are looking to digital transformation to close this gap but progress has been slow and the digital maturity of providers, both within and between countries, varies widely.

Over the past six months, the need to respond swiftly to the COVID-19 pandemic has accelerated the use of digital health technologies, but more remains to be done to ensure the equity and sustainability of healthcare.

Perspectives of our survey of clinicians on digital transformation

To explore further, we launched a survey of 1,800 clinicians to assess the use of digital technologies across seven European countries. Its aim was to understand the views of frontline clinicians working across primary and secondary care about the challenges they face and the benefits they are seeing from technology adoption.

When asked about the current state of digitalisation in their country, the most frequently mentioned negative words were 'Slow, Complex and Bureaucratic'. The three most frequently mentioned positive words were 'Fast, Innovative and Efficient'.

Overall, those surveyed were hopeful about the future. The majority of European clinicians feel that it will take less than five years from now to achieve a fully digital healthcare system. Their expectations are also largely positive. The top three words they hope to use to describe the system in five years from now are 'Fast, Efficient, Simple'.

Digital transformation (continued)

Shaping the future of European healthcare (continued)

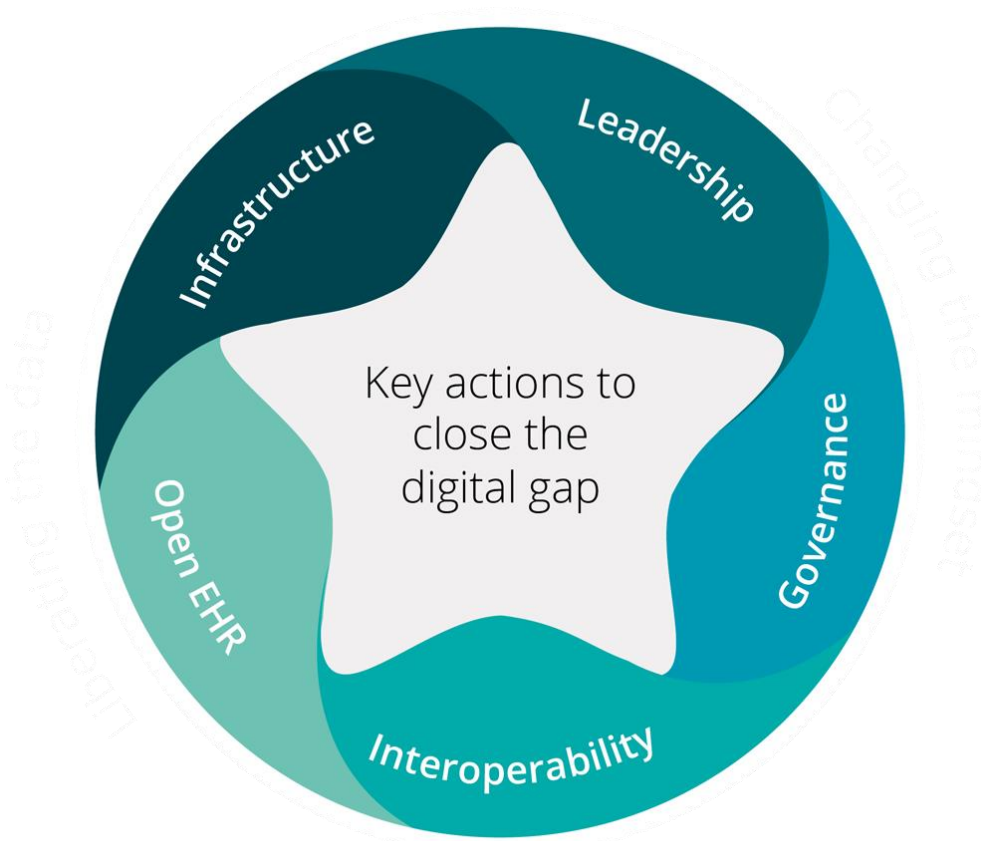
Challenges to digital transformation

Our primary research shows that the benefits from digital transformation adoption vary widely. To realise the benefits, infrastructure, cultural and operational changes are needed including improvements in the education and training of clinicians. They also need to adapt to the fact that patients are becoming better informed and more demanding than in the past.

Responses to the survey identified the top three challenges organisations face in implementing digital technologies as: bureaucracy in healthcare (57.4 per cent), the cost of technologies (50.3 per cent) and finding the right technologies (49.0 per cent).

While the responses were broadly similar across the seven countries, the top three challenges included training staff to use technology among clinicians in Italy and Portugal, and sharing patient data among those in the Netherlands.

Furthermore, majority of clinicians across Europe said that their organisation is 'very well' or 'reasonably well prepared' to adopt digital technologies, with Denmark was most prepared and Germany the least.



Independent review of adult social care

Feeley report

Background and overview

On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The Review was chaired by Derek Feeley, a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland. Mr Feeley was supported by an Advisory Panel of Scottish and international experts.

The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The review took a human-rights based approach.

The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021.

Next steps

The review concluded that there are three things that must change in order to secure better outcomes – 1. Shift the paradigm, 2. strengthen the foundations and 3. redesign the system. A summary of the recommendations on the following pages. The full report is available at [Adult social care: independent review - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/embedded/adult-social-care-independent-review/)



Independent review of adult social care (continued)

Feeley report (continued)

The recommendations within the report cover the following key themes



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

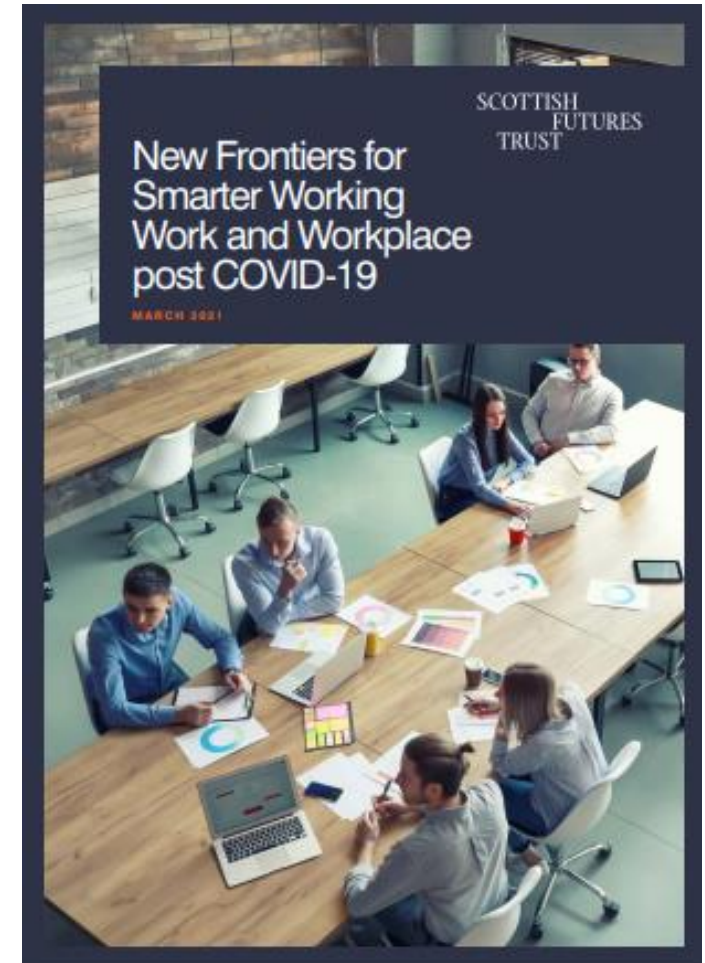
Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust (SFT) reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at

[Layout 1 \(scottishfuturestrust.org.uk\)](https://scottishfuturestrust.org.uk)

Appendices



Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report.

		Debit/ (Credit) Statement of Comprehensive Income £m	Debit/ (Credit) in Net Assets £m	Debit/ (Credit) prior year Taxpayer's Equity £m	Debit/ (Credit) in Income £m	If applicable, control deficiency identified
Misstatements identified in current year						
Employee Expenditure	[1]	(0.559)	-	-	-	N/A
Accrual		-	0.559	-	-	N/A
Total		(0.559)	0.559	-	-	
Misstatements identified in prior years						
None noted to date.						

[1] This relates to the 2019/20 holiday pay accrual which is included within the accruals balance as at 31 March 2021. There is insufficient evidence to confirm that this accrual remains valid at 31 March 2021. We are satisfied that this adjustment would not impact on the achievement of the financial targets reported in the Annual Accounts..

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (Credit) Statement of Comprehensive Income £m	Debit/ (Credit) in Net Assets £m	Debit/ (Credit) Taxpayer's Equity £m	Debit/ (Credit) in Income £m	If applicable, control deficiency identified
Misstatements identified in current year						
Employee Expenditure	[1]	(8.070)	-	-	-	N/A
Other Operating Expenditure		8.070	-	-	-	N/A
Receivables due within one year	[2]	(14.917)	-	-	-	N/A
Receivables due after more than one year		14.917	-	-	-	N/A
Other Operating Expenditure	[3]	10.189	-	-	-	N/A
Donation income		(2.470)	-	-	-	N/A
General fund		-	-	(7.719)	-	N/A
Associates and joint ventures accounted for on an equity basis	[2]	(0.743)	-	-	-	N/A
Investments in associates and joint ventures		-	0.743	-	-	N/A
Total		6.976	0.743	(7.719)	-	

Misstatements identified in prior years

None noted to date.

[1] This relates to an adjustment to reclassify expenditure relating to IJB underspends owed by the Health Board from employee expenditure to other operating expenditure.

[2] This relates to an adjustment to reclassify reimbursement of provisions.

[3] This is a late adjustment for the cost of personal protective equipment and testing kits.

[4] This relates to an adjustment in North Ayrshire Integration Joint Board's net surplus for the year, resulting in the 50% share consolidated by the Board increasing.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

No uncorrected disclosure misstatements have been identified as at the date of this report.

Other disclosure recommendations

There are no other disclosure recommendations.

Action plan

Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1	Journal Entries	<p>Our journal testing was satisfactory and we are satisfied that the controls in place to perform a retrospective review of all manual journals has been designed and implemented throughout the year. However, from our testing, individual members of the finance team did not always fully understand the business rationale of the journal posted or the impact that this had on the annual accounts. There therefore remains a risk that errors could be made. We therefore recommend that further training is provided to those staff responsible for posting of journal entries.</p>	<p>Management agrees with this recommendation. Deloitte will provide some examples of the journals in question and we will agree measures to improve the understanding of those posting the journals or, if posting on another's behalf, including their initials as a reference point.</p>	Assistant Director of Finance	March 2022	Low
2	Adherence to deliverables timetable	<p>The agreed audit timetable required the fully consolidated group accounts to be provided by 24 May 2021. The full group accounts have not yet been provided at the date of this report. Whilst we understand that this delay has been due to finalising the IJBs results, improvements are required in future years to ensure that a clear timetable is agreed between the NHS and IJB's to ensure that the agreed audit timetable is met.</p>	<p>Management agree with the recommendation. There are limited improvements we can make as the timetable is driven by the councils rather than health, but we will endeavour to make any improvements possible locally.</p>	Assistant Director of Finance	March 2022	Medium

Action plan (continued)

Follow-up 2019/20 action plan

We have followed up the recommendations made in our 2019/20 annual report and are pleased to note that 3 of the total 6 recommendations made have been fully implemented. We will continue to monitor those partially implemented as part of our audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Accruals and prepayments</i>	We recommend that training be undertaken with management accounting staff to inform them of the difference between accruals and prepayments and how to appropriately account for these amounts in the ledger and annual report and accounts.	Agree to refresh.	Assistant Director of Finance	September 2020	Medium	Fully implemented Training was provided to financial management staff. Standard Boxi queries created and refreshed each month to highlight exceptions and queries. Journal entries have been reviewed during the year.
<i>FHS receivables</i>	We recommend that the process for accounting for cash advances to GP practices is revised to ensure they are correctly identified as receivables rather than being offset against accruals.	Agree to revise.	Assistant Director of Finance	September 2020	Low	Fully implemented The revised treatment has been agreed with the Senior Finance Manager, Partnerships.

Action plan (continued)

Follow-up 2019/20 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>WTE staff numbers</i>	We recommend that the process for reporting on the whole time equivalent (WTE) staff numbers to the Board (as part of the monthly management accounts pack), and in the Remuneration and Staff Report should be formally documented to ensure consistency.	Agreed	Assistant Director of Finance	September 2020	Low	<p>Fully implemented</p> <p>Boxi report capturing the historic manual process has been written. This standard report is now refreshed each month extracting information directly from the ledger. This ensures complete consistency and comparability across periods.</p>
<i>Procurement fraud</i>	We recommend that staff training be updated to include training on procurement 'red flags'.	Will liaise with CFS and target training at staff who procure.	Director of Finance	February 2021	Low	<p>Partially implemented</p> <p>The Board is in the process of setting up a pilot project to work closely with Counter Fraud Service, and this training will be addressed as part of that project.</p> <p>Revised target date: March 2022</p>

Action plan (continued)

Follow-up 2019/20 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Financial sustainability – transformational change</i>	The Board should continue to prioritise the development of detailed programmes, incorporating the more medium to longer term initiatives, with clear action plans, milestones and the associated capacity and resources to deliver.	Medium and longer term initiatives will continue to be developed through the Corporate Management Team.	Chief Executive	Immediate	High	<p>Partially implemented</p> <p>Corporate Management Team has continued to consider medium and long term reform as part of financial and service sustainability. The Board's strategy "Caring for Ayrshire" sets out a clear intent for new models of care. The plan to respond to COVID-19 has brought forward a number of changes to the way the services are delivered. This will set a new baseline and CMT will remain focused on moving forward set areas of immediate priority.</p> <p>Revised target date: March 2022</p>
<i>Financial management – savings plans</i>	It is imperative when approving budgets at the start of the year that clear plans are in place for the savings required to ensure that there is sufficient lead in time to implement the changes required.	Corporate Management Team will develop savings plans through its ongoing budget planning process and in advance of the new financial year.	Chief Executive	Immediate	High	<p>Partially implemented</p> <p>Budget discussions take place throughout the year to establish the Financial Control Schedule. Acute Services has been a key focus in looking to identify the savings necessary to meet the CRES target. The unprecedented pressures due to the high number of COVID-19 positive patients in hospital over winter did not allow such a focus on CRES plans for 2021/22, therefore the budget for 2021/22 was deferred to the May 2021 Board to allow further opportunity to identify CRES.</p> <p>Revised target date: March 2022</p>

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the annual report and accounts as a whole are free from material misstatement, whether caused by fraud or error.



Audit work performed:

In our planning we identified the risk of fraud in relation to operating within the expenditure resource limit and management override of controls as a key audit risk for your organisation. During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the annual report and accounts

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the annual report and accounts may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.

Fees

The audit fee for 2020/21, in line with the expected fee range provided by Audit Scotland, is £160,847, as analysed below:

	£
Auditor remuneration	137,247
Audit Scotland fixed charges:	
Pooled costs	16,180
Contribution to AS costs	7,420
Total fee	160,847

We have still to assess any impact the additional testing as a result of COVID-19 and the delays in provision of group numbers. Once completed, we will discuss any impact on the fee with management.

No non-audit services fees have been charged for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



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